

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PATELUNAS TO
INTERROGATORIES OF UNITED PARCEL SERVICE REDIRECTED FROM
WITNESS ALEXANDROVICH
(UPS/USPS-T5-15 AND 16)

The United States Postal Service hereby provides responses of witness
Patelunas to the following interrogatories of United Parcel Service: UPS/USPS-T5-15
and 16, filed on September 17, 1997 and redirected from witness Alexandrovich.


Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
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September 30, 1997

Answer of United States Postal Service Witness Patelunas
to the Interrogatories of
United Parcel Service
(Redirected from Witness Alexandrovich, USPS-T5)

UPS/USPS-T5-15 On page 124.1 of Workpaper A-2, you indicate that the distribution key for C/S 18 Repriced Annual Leave, Holiday Leave Variance and CS Retirement Fund Deficit Current (Components 199, 200 and 201) is Component 526. Please provide the breakdown of Component 526 used for these distributions and indicate by name which components comprise Component 526.

UPS/USPS-T5-15 Response:

The components (by number) that comprise Component 526 can be found on pages 31 of USPS Library Reference H-4. The names associated with each of the components (by number) that comprise Component 526 can be found on pages 221-250 of USPS Library Reference H-4.

Answer of United States Postal Service Witness Patelunas
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UPS/USPS-T5-16 On page 6.1 of Workpaper A-4, you indicate that PESSA variable costs for C/S 2 Time & Attendance Supervision are developed by taking the difference between total distributed variable costs and volume variable costs less PESSA costs. You further indicate that total distributed variable costs are developed by distributing a total variable cost based on component 527 (all salaries excluding C/S 2 T&A and E&LR, and C/S 3 T&A).

- (a) Please explain what PESSA costs represent.
- (b) Please explain the difference(s) between Components 525 and 527.
- (c) Please explain how PESSA costs are treated in the Rollforward model.

UPS/USPS-T5-16 Response:

(a) PESSA is an acronym for "Plant, Equipment, Servicewide and Selected Administration Costs." The term "PESSA" is the title that appears in the final section of the Postal Service's Cost Segments and Components reports. See USPS Witness Alexandrovich's Exhibit USPS-5A (Cost Segments and Components, Base Year 1996). See also, Table D ("C" Report (Including PESSA)) of my workpapers WP-A through WP-G. These final sections summarize the cost development that is detailed in the Postal Service's cost model "B Report." See Witness Alexandrovich, USPS-T5, workpaper WP A-4 (Development of Cost By Segment and Component, Base Year 1996, B Report). See also Table C ("B" Report (PESSA Detail)) of my workpapers WP-A through WP-G.

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UPS/USPS-T5-16 Response continued:

PESSA costs are volume variable costs that are developed in the "B report" of the Postal Service's cost model. Briefly, PESSA costs are volume variable costs that do not respond immediately to changes in volume, although changes in volume influence the level of PESSA costs. Previously, these costs were known as "longer-run" or "lagged", but that terminology was inappropriate and confusing. For a fuller discussion, please see the Direct Testimony of Witness Barker, USPS-T-4, page 8, Docket No. R94-1.

(b) For the development of component 525, refer to pages 59-60 of USPS Library Reference H-4. For the development of component 527, refer to page 62 of USPS Library Reference H-4. The names associated with any of the components found on these pages can be found on pages 221-250 of USPS Library Reference H-4. Briefly, component 525 is a distribution key comprised of 80 different salary components and component 527 is a distribution key comprised of component 525 and three additional salary components.

(c) PESSA costs are treated the same in the rollforward and the base year portions of the Postal Service's cost model. The B control strings to which I refer in part b. to this response are the same B control strings that are used in both the base year and rollforward.

DECLARATION

I, Richard Patelunas, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in black ink, appearing to read "Richard Patelunas", is written over a horizontal line.

Dated: 9/30/97

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



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